

# Focus on Innovative Financing

The Y-12 National Security Complex is using an innovative approach (the operating lease concept) to finance construction of two new facilities.

Current plans have the proposed Public Interface Facility going up where the small community of New Hope once stood at Y-12's east end. The structure will house a visitors' center and public service groups.

A second structure, the Production Interface Facility, will be built north of the recently demolished Y-12 Administration Building to house centralized mission-related functions. Together, they will replace about 1 million ft<sup>2</sup> of obsolete work space with about 540,000 ft<sup>2</sup> of modern office and laboratory space for about 1,500 employees.

Why is this being done? Y-12's technical, research and support facilities are outdated, not compliant with current codes and energy inefficient. Modern, consolidated facilities would solve these problems but will cost money and take time to build if a traditional federal line-item approach is used.

According to Randy Spickard, manager of the Operating Lease effort as well as director of National Security Programs, the problem has not been "defining or agreeing upon what needs to be done, but rather arriving at an innovative approach as to how it is to be done."

An innovative approach, the operating lease is a third-party-financed, design-build project on land transferred directly to a private entity.

Key features of the approach include the following:

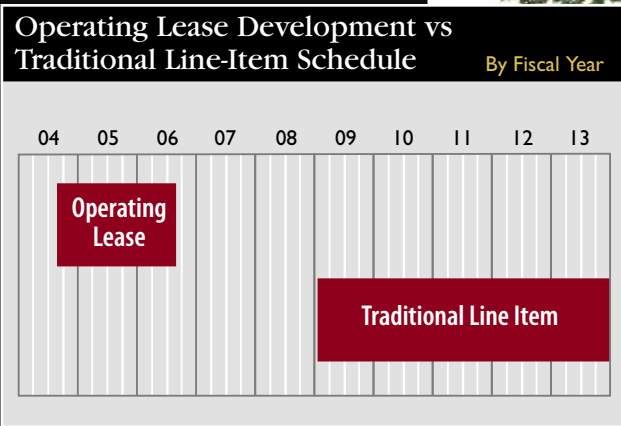
- Developer supplies design, finance and construction services.
- Complexes are built using approximately \$100 million in industrial development bonds.
- Y-12 staff begins occupying complexes by late 2006.

This approach may save \$100 million in reduced operating, maintenance and renovation costs over the next 25 years.

Cynthia Woodward, integration manager for the project, says it will place "the right buildings in the right place for the right people at the right time for the right price."

Since National Nuclear Security Administration approval of preconstruction activities in March, a number of tasks have begun or been completed.

Prominent Knoxville firm Lawler-Wood has been chosen as the developer. Spickard reports that "The development team has prepared and sent to the customer for final approval a detailed package about the project, hopefully for final approval to proceed with an early 2005 groundbreaking."



The operating lease approach is accelerating the pace of Y-12 modernization, saving money and supporting the Oak Ridge community by enlarging the tax base.

The new Public Interface Facility will provide space for a visitors' center and other functions requiring frequent interaction with the public.



The Production Interface Facility will house administrative, technical and scientific functions now scattered across the site. It will be built just north of the recently demolished Y-12 Administration Building (Building 9704-2).

Innovative financing for new facilities aids footprint reduction effort by replacing about 1 million ft<sup>2</sup> of marginal space with 540,000 ft<sup>2</sup> of purpose-designed space, enough to house 1,500 employees.